



July 10, 2013

VIA ECFS

Ms. Marlene H. Dortch,
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

RE: GN Docket No. 12-268, *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*

Dear Ms. Dortch:

It is imperative that the FCC hold a successful incentive auction of 600 MHz spectrum, for the benefit of all interested parties. A successful incentive auction includes many different components, most importantly, broad participation by broadcasters and wireless carriers alike. Broad participation will help to maximize revenue to relocate the broadcasters, fund the construction of FirstNet and reduce the deficit. To maximize revenue, the Commission must ensure that all carriers can fully and meaningfully participate in the incentive auction. For smaller and rural carriers to participate, to increase competition in the auction, and therefore maximize revenue, the Commission must adopt smaller geographic license areas, such as Cellular Market Areas (CMAs) for the upcoming incentive auction.

Bluegrass has been providing service to rural parts of Kentucky since 1990. Bluegrass holds five 700 MHz spectrum licenses in five CMAs, with population centers rarely above 50,000 people. Those markets include CMAs 209 (Clarksville-Hopkinsville, TN-KY), 293 (Owensboro, KY), 444 (Kentucky 2 – Union), 447 (Kentucky 5 – Barren) and 448 (Kentucky 6 – Madison). If the FCC uses Economic Areas (EAs), for example, to license the 600 MHz spectrum, Bluegrass would be forced to bid on four EAs—47, 69, 71 and 72—which include much more populated areas such as Lexington and Richmond, Kentucky; Nashville, Tennessee; and Evansville, Indiana just to win spectrum to cover the counties within its current service footprint.¹ In this example, Bluegrass would have to bid on spectrum that covers approximately six million pops when its core markets cover a much smaller footprint (somewhere closer to 1.2 million pops).

¹ This assumes the Commission uses EAs as they existed in 1995. Should the Commission adopt updated EA configurations from 2004, Bluegrass would actually be forced to bid on *five* EAs to cover its current service footprint: 54 (Evansville-Henderson), 94 (Lexington-Fayette-Frankfort-Richmond), 98 (Louisville-Elizabethtown-Scottsburg), 116 (Nashville-Davidson-Murfreesboro-Columbia), and 122 (Paducah). Compare Economic Areas delineated by the Regional Economic Analysis Division, Bureau of Economic Analysis, U.S. Department of Commerce February 1995 and extended by the Federal Communications Commission, 62 FR 9636 (Mar. 3, 1997), with U.S. Dept. of Commerce, Bureau of Economic Analysis, BEA Economic Areas, *available at* <http://www.bea.gov/regional/docs/econlist.cfm>.

Bluegrass does not have the financial wherewithal to bid on four or five separate EAs encompassing five times the number of pops it currently serves. If the Commission adopts EAs, Bluegrass and similarly sized carriers will almost certainly be foreclosed from participating in the auction.

As the Competitive Carriers Association recently noted, nearly 100 smaller or rural carriers participated in Auction 73.² Most of these carriers bid on CMA licenses. Bluegrass Cellular will not participate in the 600 MHz spectrum auction if the FCC does not license the spectrum in small geographic markets, like CMAs. By contrast, using large geographic areas would give significant and unwarranted advantages to the largest nationwide carriers at the expense of smaller carriers, and would risk leaving behind rural America while reducing participation in the auction.

In addition to increased participation, use of CMAs also will increase the revenues generated from the incentive auction. In Auction 73, blocks of spectrum made available in smaller geographic areas generated more revenue on a MHz-pop basis than larger geographic areas.³ With smaller geographic areas, more carriers are able to bid for more licenses, and the increased number of bidders leads to higher revenue. Use of large geographic areas risks significantly reducing the number of potential bidders for licenses, thereby reducing potential auction revenue.

CMAs strike the right balance and would be an effective geographic unit that would give rural and regional carriers reasonable opportunities to bid, increasing competition in the auction room thereby maximizing auction revenue. Bluegrass therefore urges the Commission to adopt CMAs as the geographic licensing area for spectrum reclaimed and auctioned in the upcoming 600 MHz incentive auction.

This *ex parte* notification is being filed electronically with your office pursuant to Section 1.1206 of the Commission's Rules.

Sincerely,



Ron Smith

President

cc (via email): Mr. Gary Epstein

² See *Ex Parte* Letter from Rebecca Murphy Thompson, General Counsel, Competitive Carriers Association to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket No. 12-69 *et al.* at 2 (filed June 28, 2013). In addition to the almost \$2 billion competitive carriers paid for licenses in Auction 73, these small entities also bid \$1.2 billion for licenses that larger providers ultimately paid \$1.6 billion to win—driving an additional \$400 million in revenue that most likely wouldn't have materialized had these carriers not participated and increased bid amounts.

³ The Upper C Block, auctioned in 12 Regional Economic Area Groups, sold for only \$0.76/MHz-pop. The Lower A Block, auctioned in smaller areas through 176 EAs, sold for \$1.16/MHz-pop. And the Lower B Block, auctioned in even smaller areas, 734 CMAs, sold for \$2.68/MHz-pop.

Ms. Ruth Milkman
Mr. Jim Schlichting
Mr. John Leibovitz
Ms. Susan Singer
Mr. Tom Peters
Mr. Brett Tarnutzer
Mr. Joel Taubenblatt